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REPORT TO:	ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	4h JANUARY 2011	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 1112 policy reports/eds committee
SUBJECT:	SERVICE BASE BUDGETS 2011/2012	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: EDS

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2011/12 for the Committee's Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposed fees and charges as detailed in **Appendix 4** for 2011/12 are considered and approved.
- 1.3 That the proposed changes to the Scheme for the Recovery of Building Regulation Costs and Associated Matters as set detailed in the report is approved.
- 1.4 That delegated power is given to the Building Control Manager in consultation with the Head of Finance & Property Services and the Chairman of this Committee to alter and adapt the Scheme for the Recovery of Building Regulation Costs and Associated Matters as set detailed in the report.

## **2.0 Purpose of Report**

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2011/12, with a comparison to the current year, 2010/11. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2011/12 subject to the Council's overall medium-term financial position. This will be considered by the Finance and Management Committee during the coming month.

- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year. A summary is also included of the Committee's existing capital investment programme.

### **3.0 Summary and Overview**

- 3.1 The Committee is responsible for some large spending areas, in particular on Waste Collection and Street Cleansing, together with a range of services across Environmental Health.

#### **Income**

- 3.2 In addition, the Committee is responsible for services where substantial amounts of income are generated for the Council. These include licensing, building regulation applications, land charges and local planning applications.
- 3.3 Given this, these income streams can have a big impact on the Council's overall financial position. Income can be difficult to predict and is subject to external factors such as the type and volume of planning applications and when individual licences are due for renewal.
- 3.4 Consequently, income from these areas is considered to be a fairly high risk in the Council's medium-term financial plan (MTFP).
- 3.5 As previous budget and monitoring reports have highlighted over the last 2 years, the current economic downturn has had a negative impact on these major income streams and this has had a significant effect on the Council's overall financial position. The budgets proposed in this report continue to show a downward trend, although not as great compared to 2010/11.
- 3.6 In addition, the scraping of the personal land and property search fee at a national level, together with the need to make a provision for potential refunds under environmental information regulations will continue to affect future income levels, as previously reported.
- 3.7 The current economic situation is set to continue for at least the short-term. Clearly, as a growth area, these income streams should increase in the future through increased planning applications and from a more buoyant housing market.
- 3.8 In addition, the future of local planning is set to change as reported in detail to the Committee in November 2010. Change is expected through the Government's recently published Localism Bill and from the consultation on setting planning fees locally.
- 3.9 That consultation seeks views on proposed changes to the planning application fees regime which would decentralise responsibility for setting fees to local authorities and widen the scope of fees so authorities can charge for more of their services. The consultation closes on 7<sup>th</sup> January 2011 and the Council's proposed response is subject to a separate report on this Agenda.

## The Council's Overall Financial Position

3.10 The Council's Medium-Term Financial Plan (MTFP) was reviewed and updated in October 2010 ahead of the detailed financial settlement arising from the comprehensive spending review (CSR 10). It is expected that sustaining the Council's overall financial position over the medium-term will be challenging given the proposed cuts in grant funding recently announced.

### Efficiency Savings Identified

- 3.11 During this budget round, all services were asked to look closely at current spending in order to reduce budgets wherever possible, but at the same time maintain service provision. The spending proposals for 2011/12 include some budget reductions in waste and cleansing services and also some departmental expenses in planning. Details are provided later in the report.
- 3.12 In addition, as part of the Corporate Services Strategic Partnership, the Council's service provider is formulating a programme of procurement and service transformation reviews to take effect from April 2011. Proposals as they relate to this Committee will be reported over the coming year.
- 3.13 The Finance and Management Committee will consider the detail of the overall financial position on 13<sup>th</sup> January 2011, including proposals from this Committee. Therefore, it is important that this Committee scrutinises its spending base closely.

### Summary of Expenditure

3.14 The following table provides an overall summary at main service level, of the Committee's net revenue expenditure.

<b>Analysis of Net Revenue Expenditure Budgets 2010/11 and 2011/12</b>	<b>Approved Budget 2010/11</b>	<b>Proposed Budget 2011/12</b>	<b>Change</b>
Economic Regeneration	£103,960	£91,972	<b>-£11,988</b>
Environmental Services	£614,609	£621,994	£7,385
Highways	£86,331	£84,547	<b>-£1,784</b>
Licensing and Land Charges	£10,364	<b>-£8,791</b>	<b>-£19,155</b>
Planning	£571,202	£530,426	<b>-£40,776</b>
Town Centre	£80,370	£69,508	<b>-£10,862</b>
Waste Collection & Street Cleansing	£1,645,347	£1,588,519	<b>-£56,828</b>
<b>Committee Total</b>	<b>£3,112,183</b>	<b>£2,978,175</b>	<b>-£134,008</b>

3.15 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2010/11 and 2011/12 by £134,008. In summary, the main reasons for this are as follows:

<b>Known and Internal Changes</b>	
One-off Expenditure falling out	-£39,057
Transfers between Committees	£2,524
Internal printing	-£16,690
Employee costs	£31,414
Reduction in Insurance Premiums	-£29,643
Sub - Total	-£51,452
<b>Additional Changes</b>	
Changes in Income Levels	-£10,271
Additional Costs	£27,036
Proposed Savings	-£99,321
<b>TOTAL CHANGE</b>	<b>-£134,008</b>

### **One-off Expenditure**

3.16 This relates to services where additional budget was provided in 2010/11 for that year only. This was funded either from external sources or from approved under spending brought forward from 2009/10. The main areas related to promotional expenses for recycling and economic development.

### **Internal Printing**

3.17 The budget for the Council's internal printing and design service was transferred to the Corporate Services provider under the strategic partnership with Northgate. They will continue to provide services for all areas of the Council, the charge for which is included within the overall service fee for all corporate services.

3.18 Each year this will be identified and charged separately. However, for budgeting purposes, the internal recharge cost has been removed from service budgets, with the overall budgeted cost of printing being held centrally within Finance and Management Committee.

### **Employee Costs**

3.19 The increase is due to incremental changes in pay as employees move through their pay grade. An increase has also been allowed for additional national insurance contributions from April 2011, although this is still to be confirmed. Costs may also increase where more employees join the pension fund.

3.20 Generally, these costs are taken into account as part of the overall Medium-Term Financial Planning and as such are known and built into forward budgets.

### **Reduction in Insurance Premiums**

3.21 The Council renewed its premiums in September 2010 following a formal tendering exercise. This produced a saving in overall premiums across the Council's main policies. The largest reduction for this Committee was for

Building Regulations where the perceived risk and incidence of claims has reduced considerably compared to previous years.

### Changes in Income Levels

- 3.22 There are several variances between years, the most notable being for Land Charges, where it is estimated that the base will increase from £100,000 in 2010/11 to £125,000 in 2011/12. Clearly, this is an area where the income stream has fallen significantly in recent years, exacerbated by the scraping of the personal search fee in August 2010.
- 3.23 In response to this and as previously reported, a revised charging structure was approved in October 2010. Coupled with an anticipated increase in work, this is expected to increase overall income during the next 12 months.
- 3.24 Other areas are expecting to see some reductions in income, in particular on licensing and trade waste, although income from pest control has increased following the review of the charging structure during last year's budget round. Overall, the base income level is estimated to increase by approximately £10,000 between 2010/11 and 2011/12.
- 3.25 At this stage, overall income from planning and building regulation fees are estimated to remain at their current levels in 2011/12. However, this is lower than that included in the Medium-Term Financial Plan (MTFP).
- 3.26 The MTFP is currently forecasting total income of £590,000 for planning fees and £310,000 for building regulations in 2011/12. These levels were set in accordance with previous growth assumptions.
- 3.27 The proposals in these budgets show figures of £538,000 for planning and £210,000 for building regulations, some £182,000 below the forecasts in the MTFP for 2011/12. Forecasts for 2012/13 onwards remain unchanged at this stage, although the reduction in income (compared to that forecast) in 2011/12 will have an adverse effect on the MTFP.
- 3.28 Budgets and forecasts for income for planning, building regulation and land charges fees are summarised in the following table.

<b>Analysis of income from planning applications, building regulations and land charges</b>	<b>Planning Fees</b>	<b>Building Regs.</b>	<b>Land Charges</b>	<b>Total</b>
Budget 2010/11	531,000	210,000	125,000	866,000
Projected Out-turn 2010/11	538,000	210,000	100,000	848,000
Forecast 2011/12	590,000	340,000	105,000	<b>1,035,000</b>
Base Budget 2011/12	538,000	210,000	125,000	<b>873,000</b>
Forecast 2012/13	590,000	340,000	125,000	1,055,000
Forecast 2013/14	590,000	340,000	125,000	1,055,000
Forecast 2014/15	590,000	340,000	125,000	1,055,000
Forecast 2015/16	590,000	340,000	125,000	1,055,000

## **Additional Costs**

- 3.29 The main increases in expenditure relates to the rising costs for replacement of wheeled bins (£12k) and the cost of servicing “Bring Sites” (£8k) where usage has increased, especially for recycling plastics.

## **Cost Savings**

- 3.30 Excluding the reductions and increases identified above, there are proposed savings over the Committee’s services of approximately £100,000. These have been identified in the light of the significant reduction in the Council’s general grant as identified in the MTFP.
- 3.31 Some of these savings are consequences of external factors, whilst others have been identified as reductions in budgets but without impacting upon overall service delivery.
- 3.32 The main saving is in recycling. This is a consequence of less recyclable material being presented for collection at the doorstep, especially paper in the form of newspapers and printed material. In addition, composted material has also reduced, albeit to a much lesser extent.
- 3.33 Although there is a reduction in income from recycling credits (£6k), the agreement with the contractor was designed so that associated costs paid to the contractor are considerably less (i.e. now around £50k).
- 3.34 In addition, it is proposed to use modern technology based communication methods to replace that the use of printed calendars to advise residents of collection days and how/what to recycle. This along with efficiencies on promotion of recycling will save in excess of £30k per year.
- 3.35 In addition, it is proposed to reduce departmental expenses in the Planning Division, mainly through making use of alternative and less costly forms of training. Together with other savings, the budget for the Planning Department has been reduced by approximately £13,000.

## **4.0 Detail**

- 4.1 A “line by line” analysis of the Committee’s budgets as contained in the Council’s main accounting system is detailed in **Appendix 3**. **Appendix 1** summarises the Committee’s budgets at cost centre level with **Appendix 2** breaking down the changes between 2010/11 and 2011/12 for each cost centre.
- 4.2 The base budgets exclude the costs of internal support service charges, together with any capital accounting and statutory pension adjustments.
- 4.3 These are considered by the Finance and Management Committee in detail and will be allocated across services in accordance with accounting regulations, when approved through the budget process.

## **Inflation**

- 4.4 The proposed base budget for 2011/12 does not at this stage allow for inflation. Clearly, some base costs will be subject to inflation during the year and in some cases it will be “unavoidable,” for example employee costs, if a national pay increases is settled.
- 4.5 Allowances for inflation based on various assumptions regarding price increases, etc. will be calculated across the main spending heads and in total, held as a central contingency.
- 4.6 In line with current policy, this contingency will be reviewed and monitored by Finance and Management Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

## **Growth**

- 4.7 The Council’s MTFP also holds a provision for future costs of waste collection due to the growth of the district. This is a phased increase from 2011/12, and eventually rises to £100,000 per year. However, the provision will only be included in the base budget when it is clear that growth has had a significant impact and an additional cost is effectively unavoidable.

## **General Basis of the 2011/12 Base Budget**

- 4.8 The estimates are based substantively on a continuation of current service levels with no reductions in service delivery proposed. The full year effects of previous year’s growth and efficiencies are included, with any non-recurring items removed as identified in the report.

## **Capital Investment**

- 4.9 The Committee currently has the following schemes in the Council’s approved capital investment programme.

<b>Scheme</b>	<b>Cost £'000</b>	<b>Note</b>
Town Centre Improvements	644	Continuation of the next stage of the Swadlincote Master plan. This includes a series of public realm improvements, the Cultural Quarter and environmental works which began in 2009. The total cost of this phase will be £1.2m financed entirely from external contributions and government funding (“Growth Point”).
Partnership Schemes in Conservation Areas	102	A 3-year scheme was approved earlier in the year covering 2010/11 to 2012/13. The Council will not make a direct financial contribution as it is being financed by contributions from English Heritage and the County Council at £30,000 per year (in total). In addition, some funding was brought forward from 2009/10 to deliver commitments made under the previous scheme.

## **Proposed Fees and Charges 2011/12**

4.10 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2011, together with a comparison to the existing charge. Where applicable, VAT is also added at the standard rate.

4.11 A detailed review of fees and charges has been undertaken as part of this budget round. Some of the key points are highlighted below:

### **Trade Waste**

4.12 It is proposed to increase current charges by approximately 2% in 2011/12, although an overall reduction in actual income of approximately £8,000 (or 3.5%) is estimated between 2010/11 and 2011/12.

4.13 The collection of Domestic Bulky Waste is proposed to increase by £1 to £22 for 6 items.

### **Land and Property Searches**

4.14 As previously highlighted, the pricing structure is that as approved by the Finance and Management Committee in October 2010.

### **Private Hire Licenses**

4.15 These have been increased to reflect greater costs as a more realistic price.

### **Charges under the Licensing and Gambling Acts 2005**

4.16 As the licensing authority, the Council is required to comply with the charging regime set under statute. Several licenses are being increased to reflect the maximum charge under the legislation. However, it is unlikely that these licenses, for example that apply to casinos, will be applicable.

### **Planning Services**

4.17 These do not include fees for planning applications, which are currently set nationally. Fees for other services, advice and guidance have been reviewed to reflect costs and the availability of more information on the Council's web site. Consequently, it is proposed to reduce some fees whilst others have increased.

### **Fees for Building Regulation Applications**

4.18 At its meeting on 9<sup>th</sup> September 2010, the Committee adopted a new scheme for the recovery of Building Regulation Costs and Associated Matters. Since that time however some inconsistencies have been identified requiring some minor changes to rectify them.

4.19 They are use of the term 'shall be' with regard to a reduction whereas other local authorities have used the term 'may be', which is in fact consistent with the regulations. Similarly the split between Plan Charge & Inspection Charge

should be 30% and 70% respectively for 1-5 dwellings and not 40%:60% as currently approved.

4.20 In addition, the subsequent consolidation of legislative documents requires references to specific paragraphs in the regulations to be updated. Also the Council's Electrical Contractors (who have not increased their costs over 3 years) have recently raised their fees. Therefore, as the Council carries out this element of work at cost, fees need to increase by £15 per expected electrical visit. It is proposed that all elements of work where an electrician is involved will be increased to reflect the increase.

4.21 Finally, it is proposed that delegated authority is provided to the Council's Building Control Manager to alter and adapt the Scheme for the Recovery of Building Regulation Costs and Associated Matters. It is considered that some flexibility is required whenever necessary in order to react quickly to changes in legislation and market conditions.

4.22 This authority would be subject to consultation with and agreement by the Head of Finance and Property Services and the Chairman of this Committee.

### **Pest Control Services**

4.23 It is proposed to increase fees by 4% which is broadly in line with the current rate of inflation.

### **Dealing with Stray Dogs**

4.24 It is proposed to increase the Council's administrative fee from £5 to £25 to reflect the increased costs of kennelling and veterinary fees.

## **5.0 Financial Implications**

5.1 As detailed in the report

## **6.0 Corporate Implications**

6.1 There are no other direct legal, personnel or other corporate implications apart from those considered in the report.

## **7.0 Community Implications**

7.1 The proposed budgets and spending under the responsibility of the Committee, provides the financial resources to enable many of the on-going services and Council priorities to be delivered to the local community.

## **8.0 Background Papers**

8.1 None